

# Thrift Savings Plan Pre-Separation Seminar

PRESENTED BY

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**Thrift Savings Plan**

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# Agenda

- First Steps: Preparing for Separation
- Turning Savings to Income: The TSP Retirement Income Options
- Withdrawal Rules: Other Considerations
- Planning Your Legacy: TSP Death Benefits
- Getting Help: Resources for Participants



# Preparing for Separation

First Steps



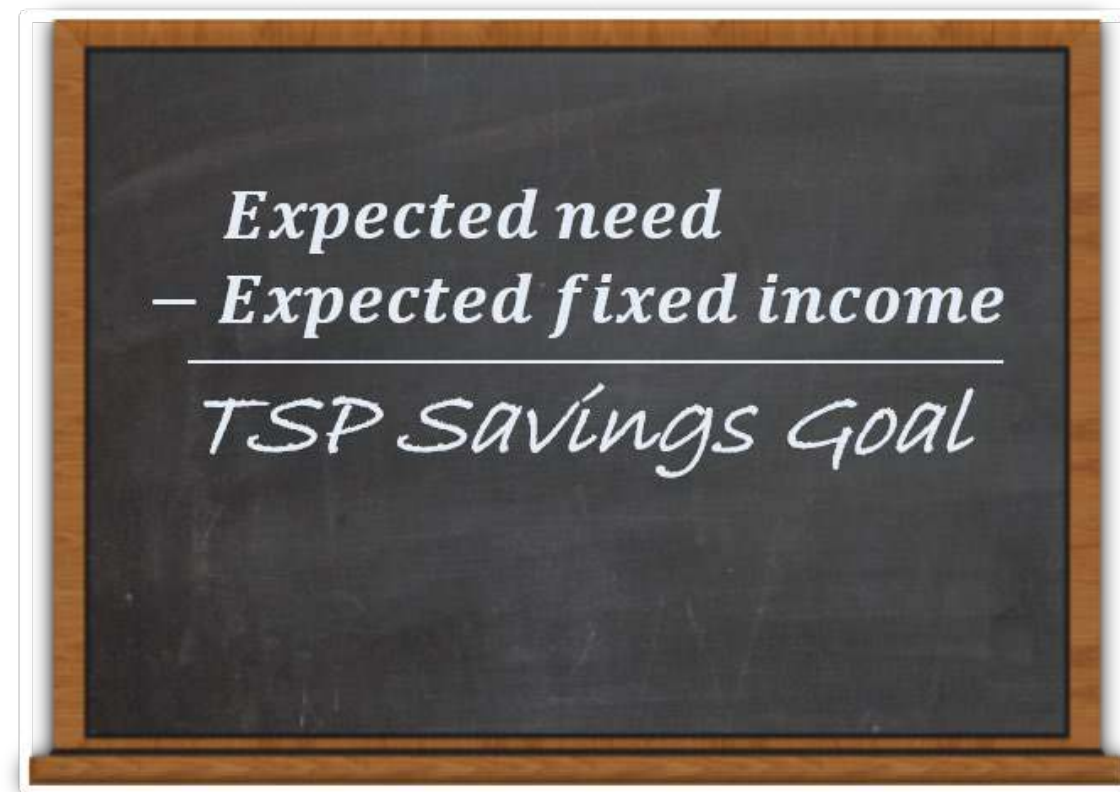
# Sources of Retirement Income



**Pension(s)**

**Social Security**

**Savings (TSP)**



$$\begin{array}{r} \textit{Expected need} \\ - \textit{Expected fixed income} \\ \hline \textit{TSP Savings Goal} \end{array}$$

# Contribution Considerations

There is a \$20,500 annual limit on your regular TSP contributions and a \$6,500 annual limit on “Catch-up” contributions



All contributions you make to employer plans\* (including the TSP) during the same calendar year count toward the IRS elective deferral limit

You **CAN** contribute the maximum amount over **LESS** than the full tax year\*\*

\*Governmental 457(b) plans have separate limit

\*\*For any pay periods a FERS or BRS participant does not make a contribution, there will be no corresponding matching agency/service contribution.

# Separating with an outstanding loan

- You may separate with an outstanding loan and you can:
  - Pay the loan off in full or,
  - Begin making payments by the deadline the TSP will give you, and
  - You may make additional payments to pay it off sooner
- Since you will no longer be on a federal payroll, you must make payments by check, money order, or direct debit
- If you do not make payments, the outstanding balance and accrued interest will be treated as taxable income and the loan will be foreclosed
  - If you separate before the year you turn 55 and the loan is foreclosed, you may be subject to the IRS 10% early withdrawal tax
  - You cannot repay a balance once it has been foreclosed



# The TSP Retirement Income Options

Turning Savings to Income



# Consider Your Options

- If you don't need income from your account immediately and your balance is at least \$200, you can leave your savings in the TSP until you're ready
- According to IRS rules, you must begin to take "Required Minimum Distributions" by April 1st of the year following the year you become 72 AND are separated from service, but there's no requirement to take all of your money out after you separate
- Once you separate, if you still have a balance in your account, you can transfer or roll over balances from traditional IRAs or eligible employer retirement plans into the TSP
- All of this means, you can continue to:
- Make changes to your investment mix by making fund reallocations and fund transfers
- Take advantage of the TSP's ultra low costs and the well-designed investment fund options
- Defer income taxes on your TSP balance until you're ready to begin receiving distributions

# Distribution Methods

- **Partial/Total Distributions**
- **Installments** (fixed dollar amount or based on life expectancy)
- **Purchase an Annuity**

**If account has both Traditional and Roth balances, you may take a distribution from either balance first or pro-rata from both**



# Distribution Methods – Partial/Total Distributions

- You can receive a distribution of all or part of your TSP account
- Must be at least \$1,000
- Not more than one in any 30-day period
- May take a partial distribution of part of your account even if you're currently receiving installments
- No lifetime limit

# Distribution Methods – Installments

- Fixed dollar amount or based on life expectancy
  - May schedule a date up to six months in the future for these installments to begin
  - Payments will continue, unless you stop them, until your total account balance equals zero (The minimum duration is one year)
  - Frequency may be monthly, quarterly, or annually
- Annuity Purchases

# Installments

## Fixed Dollar Amount

- Amount specified by participant (minimum is \$25)
- You may:
  - Choose the date to process your first installment payment
  - Change the dollar amount
  - Change the frequency
  - Stop them
  - Change the source (traditional, Roth, or both)
  - Start, stop, or change direct deposit accounts
- Tax treatment of distribution and ability to roll over funds to an IRA or eligible employer plan depends how long installments are expected to last (IRS 10-year rule discussed on slide #XX)

## Life Expectancy

- Payments computed based on IRS life expectancy table
- Amounts are calculated using your entire account balance
- You can model potential installments in My Account without committing to them
- You may:
  - Choose the date to process your first installment payment
  - Adjust amount of tax withholding
  - Change to fixed dollar amount
  - Stop them
  - Change the source (traditional, Roth, or both)
  - Start, stop, or change direct deposit of your installments

# Life Expectancy Payments

## Single Life Table\*

Age	Distribution Period	Approximate Percentage
62	25.40	3.94%
63	24.50	4.08%
64	23.70	4.22%
65	22.90	4.37%
66	22.00	4.55%
67	21.20	4.72%
68	20.40	4.90%
69	19.60	5.10%
70	18.80	5.32%
71	18.00	5.56%

***RMD = Previous year's account balance divided by Distribution Period***

*\*Note: The table above is not the complete table*



**Thrift Savings Plan**

Source: TSP.gov: [Tax Rules About TSP Payments](#)

# Life Annuity

- Income is assured for the life of the annuitant(s)
- Funds are transferred from TSP to the annuity provider, and benefits are “locked in” when the request is processed

	Single Life	Joint Life with Spouse	Joint Life with Other Survivor
Survivor benefit (50% or 100%)		✓	✓
Level payments	✓	✓	✓
Increasing payments	✓	✓	
Cash refund	✓	✓	✓
10-year certain	✓		

# Required Minimum Distributions (RMDs)

- The required beginning date for RMDs depends on your age and when you separate. If you separate:
  - Prior to age 72 – Your first RMD will be that calendar year
  - At 72 or later – Your first RMD will be the calendar year you separated (even if it was Dec 31)
- You must receive the total RMD amount for that first distribution year by April 1 of the following calendar year
- Participants who have either NOT made a payment election or have received payments that total less than the RMD amount, are identified and a payment is automatically calculated and made to them on March 1 of the applicable year
- For the second and all subsequent years, participants must receive their total RMD amount by Dec 31
  - If necessary, a final payment is automatically calculated and made by Dec 31 to ensure participants receive the total amount required for the calendar year
- RMDs are determined using the IRS Uniform Lifetime Table



# Required Minimum Distributions

## Uniform Lifetime Table\*†

Age	Distribution Period	Approximate Percentage
72	27.4	3.65%
73	26.5	3.77%
74	25.5	3.92%
75	24.6	4.07%
76	23.7	4.22%
77	22.9	4.37%
78	22.0	4.55%
79	21.1	4.74%
80	20.2	4.95%
81	19.4	5.15%

Age	Distribution Period	Approximate Percentage
82	18.5	5.41%
83	17.7	5.65%
84	16.8	5.95%
85	16.0	6.25%
86	15.2	6.58%
87	14.4	6.94%
88	13.7	7.30%
89	12.9	7.75%
90	12.2	8.20%
91	11.5	8.70%

***RMD = Previous year's account balance divided by Distribution Period***

\*Note: The table above is not the complete table

†Note: A participant who is receiving installment payments based on Life expectancy via the Single Life table, may opt to continue to receive RMD payments based on that table, or they opt to receive payments based on the Uniform Lifetime table beginning at age 72.

Source: TSP.gov: [Tax Rules About TSP Payments](#)

# Other Considerations

Withdrawal Rules

# Mutual Fund Window

- Any money you have invested in our mutual fund window must be transferred to a TSP fund before it can be distributed
- Money in the mutual fund window is included in the calculation for life expectancy installment amounts, the expected duration of fixed-dollar-amount installments, and RMDs



# Spouses' Rights

Retirement Plan	Requirement	Exceptions
<b>FERS or Uniformed Services</b>	Spouse must provide signed (electronic or paper) consent for the distribution to be processed.	You may request an exception to these spouses' rights requirements by requesting, completing, and submitting the exception request form. But exceptions are granted only in rare circumstances.
<b>CSRS</b>	TSP must notify your spouse of your distribution. This is also true if you request a change in the amount or frequency of installments since this could affect the amount available for an annuity.	

- If account balance is less than \$3,500, spouse's signature/notice is not required
- If married but no spouse signature: Spouse entitled to Joint Life Annuity with 50% Survivor Benefit, Level Payments, and no cash refund feature

# Tax Treatment for TSP Payments

Type of Payment	Eligible for Roll Over?	Federal income tax withholding rate
Total or partial distribution by a separated or beneficiary participant	Yes	20% (mandatory) unless rolled over
Installments for less than 10 years (fixed dollar amount)	Yes	20% (mandatory) unless rolled over
Age 59½ in-service withdrawal	Yes	20% (mandatory) unless rolled over
Foreclosed loan (post-separation)	Indirect rollover only (using personal funds)	Not applicable
Installments for 10 years or more (fixed dollar amount)	No	As if married w/3 dep (may be changed or waived)
Installments based on life expectancy	No	As if married w/3 dep (may be changed or waived)

# Receiving Installment Payments

- If you are receiving installment payments, the following could result in a change to the withholding rules for the taxable portion of your payments:
  - Change the dollar amount or frequency
  - Change from installments based on life expectancy to payments of a fixed dollar amount
  - Roll over money into your TSP account
  - Take a partial distribution in addition to your installment payments



# Changing Payment Scenario

## Before change – \$800/month

- **Balance = \$105,000**
- Estimated number of payments = 132
  - **132** months is more than 10 years so, payment type = **periodic payments**
  - Withholding – As if married w/3
- **Net monthly payment - \$800**

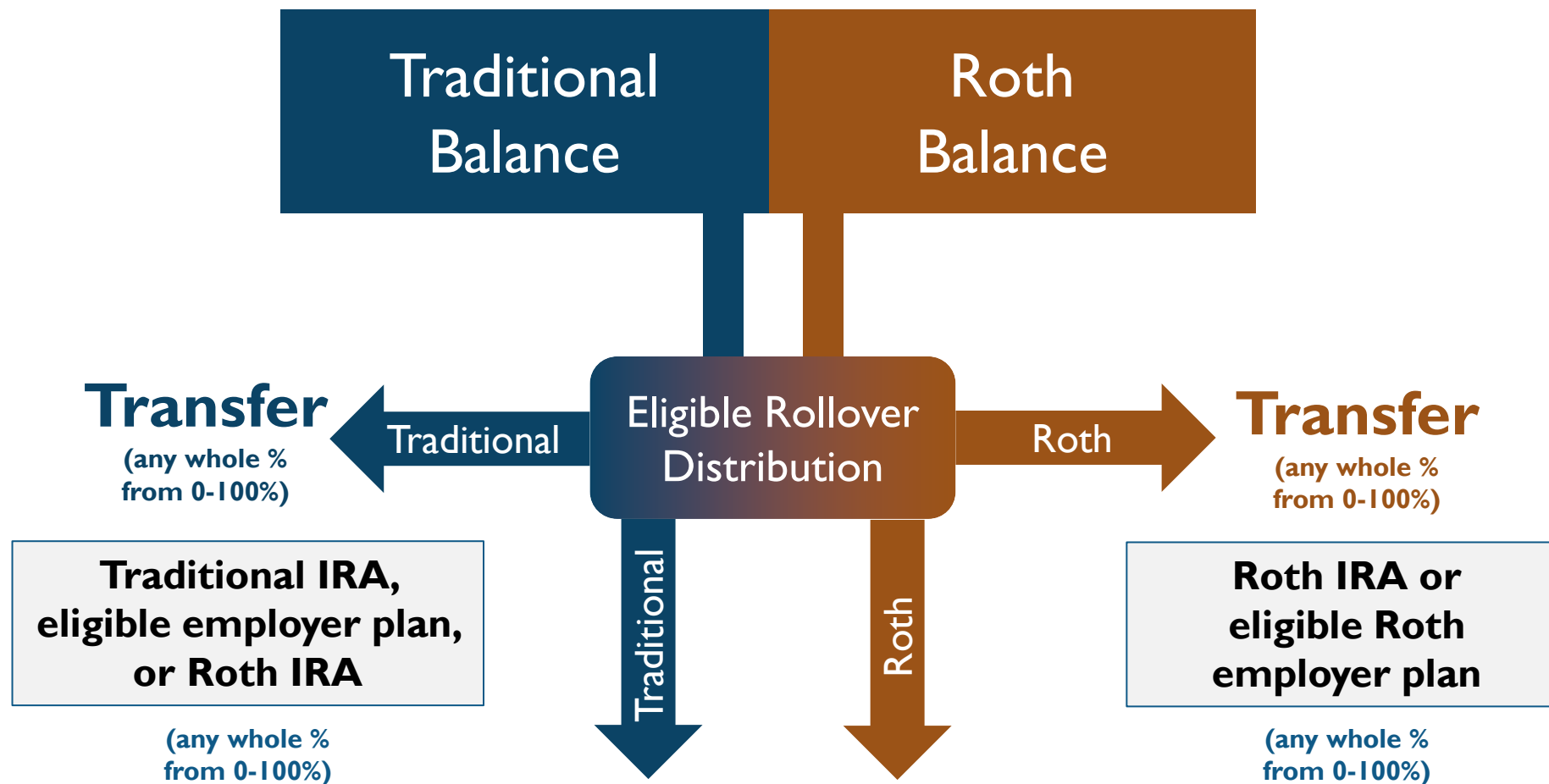
## After change – \$850/month

- **Balance = \$100,000**
- Estimated number of payments = 117.6
  - **117.6** months is fewer than 10 years, so payment type = **eligible rollover distribution**
  - Withholding – 20% (\$170)
- **Net monthly payment - \$680**

10 year rule applies to all installment payments regardless of frequency



# Eligible Rollover Distributions



## Distribution to Participant

Whatever isn't transferred will be distributed and the Traditional balance is eligible to be rolled over within 60 days



# Exceptions to the IRS Early Withdrawal Penalty

**The 10% IRS Early Withdrawal Penalty does not apply to payments that are:**

- Received at age 59½ or later, or received after you separate/retire during or after the year you reach age 55 (or the year you reach age 50 if you are a public safety employee as defined in section 72(t)(10)(B)(ii) of the IRC)
- TSP monthly payments based on life expectancy
- Lifetime annuity payments
- Ordered by a domestic relations order
- Made because of death
- Made from a beneficiary participant account
- Received in a year you have deductible medical expenses that exceed 7.5% of your adjusted gross income
- Received as a result of total and permanent disability
- Received by military reservists called to active duty for a period in excess of 179 days & distribution is received between date of order or call and close of active duty period

# TSP Death Benefits



# TSP Death Benefits – Beneficiaries

- By default, death benefits are disbursed according to “statutory order of precedence:”
  - 1) Spouse
  - 2) Natural and adopted children
  - 3) Parents
  - 4) Appointed executor or administrator of your estate
  - 5) Next of kin
- Alternatively, you may designate beneficiary(ies) online or by calling the Thriftline
  - To change a designation of beneficiary, the participant must submit to the TSP record keeper a new TSP designation of beneficiary
  - Can be any individual, firm, corporation, or legal entity, may be designated as a beneficiary
  - Can name up to 20 total primary beneficiaries to share the death benefit
  - All primary beneficiaries must be deceased for a contingent beneficiary to receive anything
  - A beneficiary may be designated without the knowledge or consent of that beneficiary or the knowledge or consent of the participant’s spouse

# Spouse Beneficiaries – Beneficiary Participant Accounts

- The TSP record keeper will automatically transfer a surviving spouse's death benefit to a beneficiary participant account established in the spouse's name
- When a beneficiary participant account is established, the account balance will be allocated to the TSP funds in which the deceased participant's account balance was invested on his or her date of death
- BPA account owner will have same investment and withdrawal options as separated TSP participants
- BPA accounts cannot accept rollovers from other plans or IRAs
- Fund reallocations and fund transfers follow same rules that apply to all account holders
- A beneficiary participant may not make contributions or rollovers to his or her beneficiary participant account

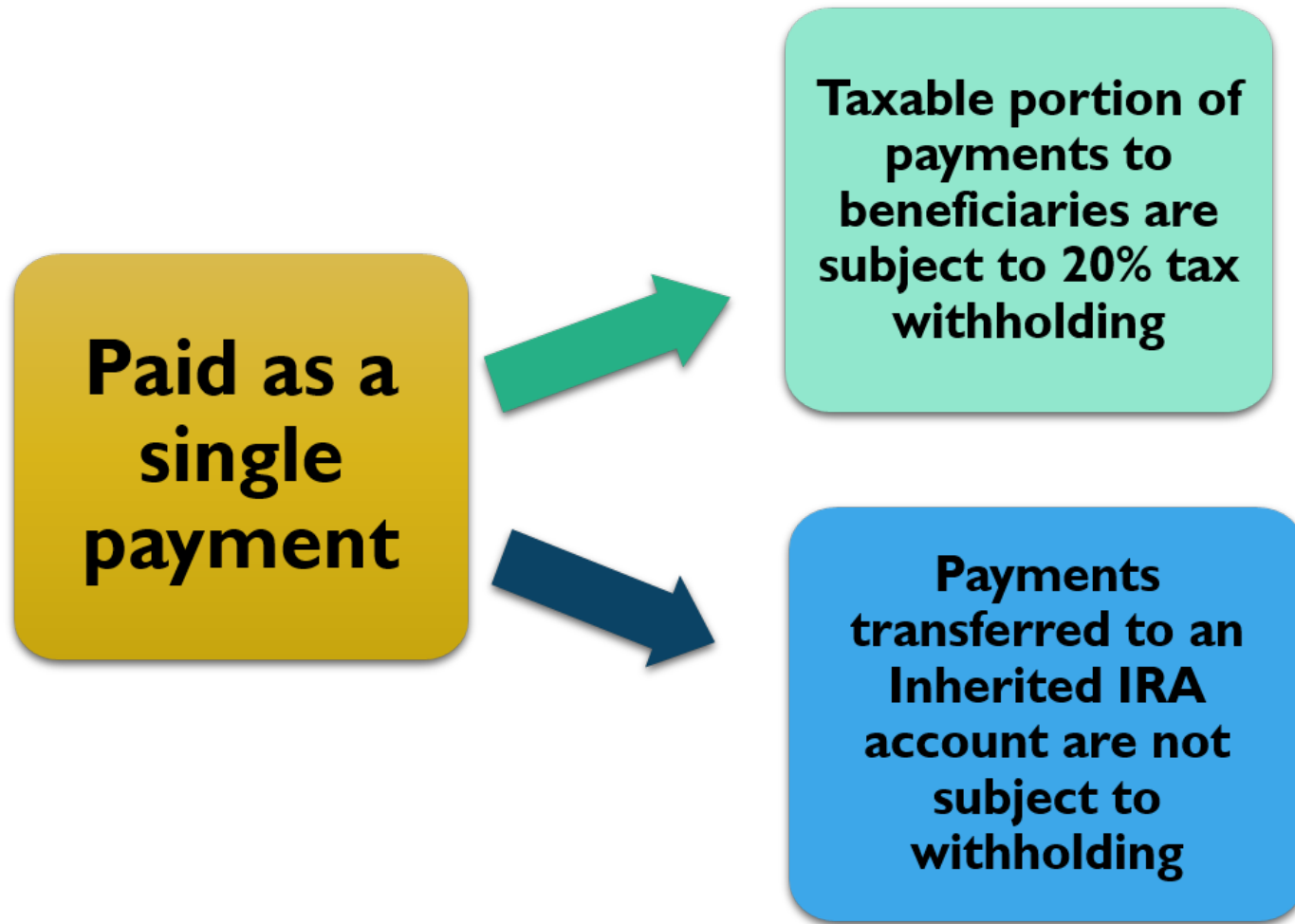
# Beneficiary Participant Account Rules

- Death benefit payments from a BPA are single (non-periodic) payments to the designated beneficiaries
  - Subject to 10% federal withholding
  - Cannot be rolled over to an IRA (to include inherited IRA) or eligible employer plan
- Required Minimum Distributions from BPA:
  - Begin date is based on age of the deceased TSP participant
  - Amount is based on age of the beneficiary

# Considerations with BPA Rollovers

	BPA	Other Employer Plan	IRA
<b>Successor Beneficiaries</b>	Death benefit payments to successor beneficiaries may not be rolled over	Death benefit payments to successor beneficiaries may be rolled over	Death benefit payments to successor beneficiaries may be rolled over
<b>Early Withdrawal Penalty</b>	No penalty on early distributions	No penalty on distributions after age 59½ Exceptions exist – see “exceptions slide”	No penalty on distributions after age 59½ (other exceptions may apply)
<b>Spousal Rights</b>	Spousal rights not applicable	Spousal rights apply <b>per</b> applicable laws and plan rules	Spousal rights not applicable
<b>Required Minimum Distributions</b>	Required beginning date based on age of deceased participant & Required payment amount based on spouse’s age	Required beginning date based on when beneficiary turns 72 or retires, whichever is later	Required beginning date based on when beneficiary turns 72

# Non-Spouse Beneficiaries



## Inherited IRAs

- Requires non-spouse beneficiaries to withdraw all assets of an inherited account within 10 years
- Beneficiaries may want to seek assistance of a tax professional to discuss options

# Court Orders and Legal Processes

- Your TSP account can be:
  - Divided in an action for divorce, annulment, or legal separation, or
  - Garnished to satisfy a legal process associated with past-due alimony, child support obligation, IRS tax levy, or victims restitution pursuant to the Mandatory Victims Restitution Act





# Resources for Participants

Getting Help



# Contacting the TSP

## We're here to help.



### AVA virtual assistant

Get help from AVA, the TSP virtual assistant, to get answers to general questions. To ask AVA account-specific questions and to connect to a ThriftLine Representative during business hours for a live chat session, log in to My Account and select the icon found on the bottom right of the page.



**ThriftLine:** 1-877-968-3778 (toll free)

**Business Hours:** Monday -Friday from 7:00 a.m. to 9:00 p.m. Eastern Time

**International:** (404) 233-4400 (not toll free)



### Email us

To contact ThriftLine outside of business hours, please email [thriftline@tsp.gov](mailto:thriftline@tsp.gov). Do not email personally identifiable information.



### General mailing address

ThriftLine Service Center  
C/O Broadridge Processing  
PO Box 1600  
Newark, NJ 07101-1600

### General fax number

1-352-730-9974

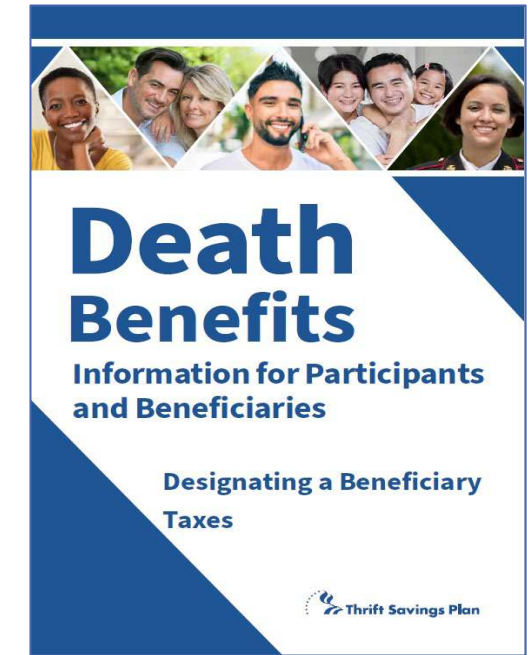
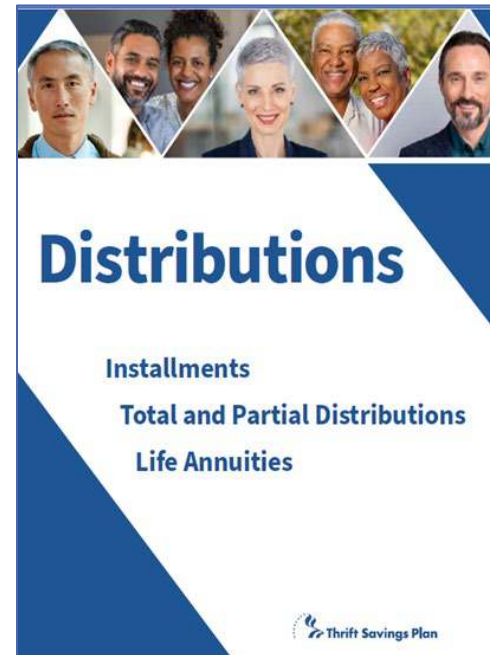
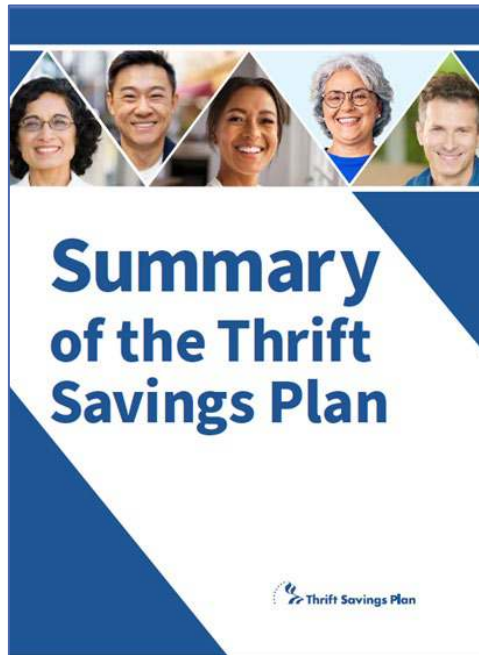


### Secure participant mailbox

For account-specific communication sent electronically, log in to [My Account](#) and select the notification icon on the far right, to access your Secure Mailbox.



# TSP Publications



We offer 5 individual funds that you can customize based on your comfort level.

<b>C FUND</b> Common Stock Index Investment Fund	<b>S FUND</b> Small Capitalization Stock Index Investment Fund	<b>I FUND</b> International Stock Index Investment Fund	<b>F FUND</b> Fixed Income Index Investment Fund	<b>G FUND</b> Government Securities Investment Fund
<b>What It Is:</b> Stocks of large and medium-sized U.S. companies. <b>Pros:</b> Potential for high investment returns over the long term. <b>Risks:</b> Can be volatile depending on stock market performance. <b>Benchmark Index:</b> Standard & Poor's 500 Stock Index.	<b>What It Is:</b> Stocks of small to medium-sized U.S. companies. <b>Pros:</b> Potential for high investment returns over the long term. <b>Risks:</b> Can be volatile depending on stock market performance. <b>Benchmark Index:</b> Dow Jones U.S. Completion TSM Index.	<b>What It Is:</b> International stocks from more than 20 developed countries. <b>Pros:</b> Potential for high investment returns over the long term. <b>Risks:</b> Can be volatile depending on stock market performance. <b>Benchmark Index:</b> MSCI EAFE Stock Index.	<b>What It Is:</b> Government, corporate, and asset-backed bonds. <b>Pros:</b> May earn returns that are higher than money market funds over the long term with relatively low risk. <b>Risks:</b> Bond prices fall when interest rates rise. Bonds may be repaid early, reducing your returns. <b>Benchmark Index:</b> Bloomberg Barclays U.S. Aggregate Bond Index.	<b>What It Is:</b> Government securities that are specially issued to the TSP. <b>Pros:</b> Does not lose money; has a consistent but relatively low investment return. <b>Risks:</b> Your money may not grow enough to meet your retirement needs or outpace inflation.

For more comprehensive information, visit [tsp.gov](http://tsp.gov) and select "Learn about fund options" from the menu.



# Survey

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Please consider your answers carefully. This survey will be used to improve our services and provide you with information that is timely, relevant, and informative

**<https://www.surveymonkey.com/r/LXMRMZ>**

